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# Iraq

# Grain and Feed Annual

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**Report Highlights:**

Following two years of drought, the current outlook for Iraq's national winter grain production is favorable due to increased winter grain acreage and beneficial rains. National wheat area, inclusive of the Kurdish regions, is estimated at 1.47 million hectares (up 22 % from last year, but 22 % below normal). Quality and policy factors indicate two-thirds of the wheat crop will be used for feed. Barley area is estimated at 1.17 million hectares (up 134 % from last year, but down 19 % from normal). Rice area is unchanged at 50,000 hectares. Corn is down 50% to 75,000 hectares. There is significant scope for increased feed imports, especially soybean meal.

## Executive Summary:

### Wheat

Wheat production across Iraq is expected to rebound this season after consecutive drought impacted crops. Production is forecast at about 2 million metric tons (MMT), 49% above the 2009/10 crop of 1.35 MMT. The bulk of the expected increase will come from northern, rain dependent areas, which in some cases saw total crop losses in recent years. Production across central Iraq will also increase, in response to favorable early season conditions, winter irrigation, and increased fertilizer availability. Diyala province, northeast of Baghdad is the exception, where production is expected to fall in response to a sharply lower reported planted area. It is believed that concerns regarding early season irrigation water availability led the Iraq Ministry of Agriculture to limit irrigation and distribution of subsidized seed and fertilizer.

Feed wheat use has been revised upward to reflect information provided by the Ministry of Trade and flour millers that domestic wheat purchases for milling purposes have been lower than previously thought. The Ministry of Trade has also indicated that they will only purchase Iraqi Grade #1 wheat this season. This will force additional wheat into the feed market, and also necessitate an increase in imports, despite the larger crop. Wheat quality issues remain a more important factor in domestic food use than output. Historically, feed wheat has been fed to poultry and livestock. Lower livestock numbers suggest that local markets may have trouble absorbing the anticipated increased in feed supplies. In the absence of government financed purchases, local market wheat prices could fall 25-35%, adding substantially to the profitability of livestock and poultry producers.

2010/11 ending stocks are forecast to increase from around 517,000 MT to 655,000 MT, mostly a reflection of the feed market's inability to completely absorb increased supplies. Wheat stocks held by the Ministry of Trade are currently around 450,000 MT, and while it is their intent to build stocks, the budget mechanisms and political decisions to accomplish this have not been put in place.

### Barley

Barley production is expected to recover strongly from drought reduced crops of the last two years. Production is forecast at about 1 MMT, a 225% increase from the 2009/10 crop level. Rain dependent northern production areas will be responsible for the strong recovery. These same areas experienced near total losses in the last two seasons. Local reports over the last two years that drought caused feed shortages have led to a sharp reduction in sheep and other livestock numbers suggest that the local feed markets across Iraq may not be able to absorb all of the increase in production. Government purchases of barley at supported prices are not anticipated at this time, based upon communications with both the Ministry of Agriculture and the Ministry of Trade. Larger supplies should lead to sharply lower prices and benefit livestock production operations. An expansion of livestock production activities should be anticipated, if feed prices remain low.

### Corn

Corn production, like rice production, has been severely affected by lack of irrigation water as well as lack of quality seed and fertilizer availability. The Ministry of Agriculture reports that their purchases at supported prices have been less than 100,000 MT in recent years. The water situation for corn will be better in the coming season, for areas dependent upon the flow of the Tigris. The lack of irrigation water in recent years has resulted in the Ministry of Agriculture limiting support to farmers growing corn. Production decisions may be heavily influenced by the uncertainty of irrigation water in some areas, and inexperience in market based decision making. The production forecast is unchanged from last year's level of 150,000 MT, and imports are forecast to increase based upon sharply lower international corn prices and anticipated expansion of the poultry sector.

### Rice

Irrigation water availability is limiting Iraqi rice production. Rice production is heavily dependent upon water originating in Turkey and flowing in the Euphrates river. It does not appear at this time that Turkey will increase the level of water released for delivery to Iraq. This will result in severe cut backs in planted areas of rice and corn in areas dependent upon the Euphrates for irrigation. 2010/11 rice production is forecast at 120,000 MT, 9% above the 2009/2010 crop of 110,000 MT. Planted area is expected to be unchanged from the previous year but yield is forecast to be up slightly, based upon anticipated greater fertilizer availability. Ending stocks are forecast to increase marginally from 103,000 MT to 108,000 MT.

**Policy**

*Public Distribution System (PDS) Wheat Demand*

By law, nearly all Iraqis are eligible to receive food/commodities under the Public Distribution System. This system provides a monthly allotment of flour, rice, vegetable oil, sugar, tea, beans, powdered milk and other foods to nearly every citizen at practically no cost to the consumer. However, the functioning of the system is erratic and plagued with administration problems.

Wheat as flour is by far the largest and most important component of the PDS. PDS demand is a function of the population, and the monthly allotment. Assuming a current population estimate of 32.5 million combined with a monthly allotment of 9kg/person and a milling conversion rate of .8 yields 4.39 MMT as PDS demand for the current marketing year. Imports of wheat are assumed to be strictly for PDS use. At the forecast level of 3.8 MMT it is implied that domestic wheat requirements are .6 MMT. Flour millers under contract with the Ministry of Trade report that the wheat they receive is a blended product with the specification of being 1 part domestic, and 3 parts imported. Spot checks of PDS flour distribution sites revealed large differences in the appearance, quality and availability of PDS supplied flour.

*Domestic Production Subsidies*

It has been reported that imported wheat from neighboring countries is shipped into Iraq in order to capitalize on the high government supported price. Efforts to quantify this have not been successful. Iraq imposes seasonal import bans on wheat, barley, and corn to discourage this activity. This bans contribute to feed shortages and high feed prices which have harmed Iraq’s animal production sector.

IRAQ Wheat Purchase Prices: (ID/MT)

| Wheat | 2007/08 | 2008/09 | 2009/10 | 2010/11* | % Change |
|---|---|---|---|---|---|
| #1 | 650,000 | 750,000 | 850,000 | 620,000 | -27% |
| #2 | 550,000 | 650,000 | 750,000 | 520,000 | -31% |
| #3 | 450,000 | 550,000 | 400,000 | 420,000 | +5% |

Extremely attractive domestic support prices underpin the local market for grains across Iraq. The 2009/10 support price for #1 wheat is 850,000 ID/MT, which converts into about $720/MT. Unreferenced documents suggest that only 10-20% of the Iraq wheat crop grades #1 and 20%-40% grades out to #2 quality. This suggests that 30-40% of the annual wheat crop is #2 or better, and that 60-70% of the crop is feed quality. Government purchases of lower quality #3 wheat appear to have been minimal in recent years. However it has been reported that certain elevators are notorious for grading lower quality wheat as #2, which in previous years qualified it for purchase by the Ministry of Trade. The Ministry of Trade's decision to only purchase #1 wheat this season may be in response to this situation, as well as budget constraints. Post anticipates very loosely applied standards for #1 wheat this coming season, as Ministry officials seem to be minimally involved in grading decisions made at the local level.

The Ministry of Agriculture has tentatively proposed to lower support prices for the coming season. This proposed reduction is a reflection of a methodology designed to link Iraq domestic prices with international prices.

Barley, corn, rice, dates, cotton, and sunflowers, also enjoy a government support price. However from a practical point, price support activities are concentrated in rice and corn where 80-90% of production is purchased. Purchases of corn have been minor in recent years, a reflection of sharply lower corn production. Date purchases appear to be around 40% of production. Purchased dates are generally low quality and sold at a subsidized price for use as animal feed.

GOI Agricultural Support Prices – 2009/2010

| | 2009/2010 ID/MT | 2009/2010 US$/MT |
|---|---|---|
| Wheat #1 | 850,000 | 720 |
| Barley | 725,000 | 614 |
| Corn | 600,000 | 508 |
| Dates* | 150,000 | 127 |
| Cotton #1 | 1,1000 | 932 |
| Rice | 900,000 | 763 |

*Derived based upon GoI purchases at values above local market for cull dates.

## Feed and Feed Demand

*Near-term Feed Outlook*

For the last two years drought has hurt both grain production and the animal production sector. However, a much improved feed availability picture is emerging for the coming 2010/11 crop. Feed supplies in Iraq are expected to increase 54% with this season's harvest. With imports, the total Iraqi feed supply will be 3.6 million MT, up from 2.3 million MT last year. A noteworthy comparison is that feed supplies will increase 21% relative to the 2007 period when livestock numbers were 25% higher.

| | 2006/7 | 2007/8 | 2008/9 | 2009/10P | 2010/11 |
|---|---|---|---|---|---|
| Feed Wheat | | | | | |
| Domestic | 1,100 | 900 | 500 | 550 | 950* |
| Imported | - | - | 25 | 15 | -- |
| Wheat Bran | 1,000 | 950 | 910 | 920 | 950 |
| Barley | | | | | |
| Domestic | 900 | 900 | 600 | 435 | 946 |
| Imported | - | - | 50 | 35 | 35 |
| Corn | | | | | |
| Domestic | 350 | 290 | 200 | 150 | 150 |
| Imported | 25 | 25 | 80 | 80 | 100 |
| Other Feed | | | | | |
| Pellets | - | - | 25 | 60 | 90 |
| Soy meal | 50 | 50 | 75 | 100 | 160 |
| Other | 2 | 2 | 3 | 5 | 5 |
| Total: | 3,427 | 3,117 | 2,468 | 2,350 | 3,386 |

Source: Estimates derived from both official and unofficial sources within Iraq; wheat bran (by product of milling both domestic and imported wheat)
*Feed wheat estimate based upon larger expected crop, (2.0MMT, including KRG) and communications with the Ministry of Trade indicating they will only purchase #1 wheat for milling use this year.

Iraq has almost no domestic source of feed protein and will continue to import nearly all of its consumption. The regional availability of sunflower meal (e.g., Turkey) may provide an opportunity to livestock producers to blend sunflower meal with soy meal and /or add lysine to meet nutritional requirements. Cotton production may see a large year to year increase but it will be minor in absolute terms. U.S. soybean meal is attractively priced at present and, on paper, should capture market share versus imports from other origins based on pricing and overall product quality.

Feed is currently trucked into the country, which is inefficient (see our December 2009 assessement). However, efficient, vessel-sized shipments of feed are not currently handled by Iraqi ports in large part due to Ministry of Agriculture testing procedures.

*Long Term Feed Demand Very Strong*

Iraqi per capita consumption of poultry is low compared to surrounding countries and should expand quickly with additional production. This modest growth in poultry production may not absorb the large quantities of feed likely to become available. If this scenario comes to pass, declining domestic prices for feed wheat will shift poultry rations away from corn and or pellets.

| Poultry | 1987 | 1997 | 2006 | 2007 | 2008 | 2009 | 2010F |
|---|---|---|---|---|---|---|---|
| Production (1,000 Metric Tons) | n/a | 33 | 50 | 95 | 95 | 110 | 125 |
| Total Imports (1,000 Metric Tons) | n/a | 5 | 119 | 176 | 211 | 265 | 290 |
| Source: Foreign Agricultural Service | | | | | | | |

Longer-term, Iraq's current low per capita poultry consumption, rapidly growing population, and increased oil revenue should drive expansion in feed imports.

| Per Capita Poultry Consumption (country/kg) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010F |
|---|---|---|---|---|---|---|
| Iran | 18.9 | 20.4 | 22.39 | 22.2 | 23.2 | 24.1 |
| Iraq | 7.7 | 6.3 | 9.9 | 10.8 | 13 | 14 |
| Jordan | 24.8 | 21.7 | 25.6 | 25.5 | 24.9 | 25.4 |
| Saudi Arabia | 38.1 | 35.4 | 36.8 | 37.6 | 41.3 | 41.6 |
| United States | 45.4 | 45.8 | 45.1 | 44.2 | 42.6 | 43.3 |
| Source: Foreign Agricultural Service | | | | | | |

Assuming Iraqi poultry consumption increases to 25kg per year (similar to current Iranian or Jordanian levels), Iraqi demand for poultry feed alone could grow by over 1.6 – 2 million metric tons by 2020. Growth in dairy and red meat production will also create significant new demand.

***STATISTICAL INFORMATION***

IRAQ: Wheat 2010-11 (Projections)

| Province | Planting Intentions** | % Planted | Planting Actual** | Yield MT/Dn.*** | Production MT/ est.*** |
|---|---|---|---|---|---|
| Kurdish Area | | | 1,400,408 | 0.25 | 356,821 |
| Ninewea | 1,639,285 | 53% | 925,452 | 0.22 | 203,500 |
| Kirkuk | 735,189 | 93% | 683,726 | 0.38 | 256,397 |
| Salah ad Din | 605,000 | 100% | 605,000 | 0.26 | 158,056 |
| Diyala | 130,040 | 88% | 114,435 | 0.48 | 54,643 |
| Anbar | 281,115 | 100% | 281,115 | 0.32 | 91,152 |
| Baghdad | 245,625 | 98% | 240,713 | 0.40 | 95,262 |
| Wasit* | 751,000 | 75% | 676,000 | 0.50 | 338,000 |
| Babil | 315,223 | 95% | 299,462 | 0.34 | 102,715 |
| Karbala | 15,205 | 97% | 14,749 | 0.36 | 5,310 |
| Najaf | 201,098 | 102% | 205,120 | 0.49 | 100,150 |
| Muthanna | 69,950 | 67% | 46,867 | 0.27 | 12,584 |
| Qadisiyah | 364,990 | 91% | 332,141 | 0.52 | 174,208 |
| Dhi Qar | 277,600 | 53% | 147,128 | 0.40 | 58,299 |
| Maysan | 219,100 | 101% | 221,291 | 0.31 | 67,549 |
| Basrah | 70,400 | 74% | 52,096 | 0.27 | 13,818 |
| Total: | 5,920,820 | 79% | 4,845,295 | 0.34 | 2,088,464 |

## *PS&D Tables*

| Wheat<br>Iraq | 2008 | | | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
| | Market Year Begin: Jul 2008 | | | Market Year Begin: Jul 2009 | | | Market Year Begin: Jul 2010 | | |
| | USDA Official Data | | New Post Data | USDA Official Data | | New Post Data | USDA Official Data | | Jan Data |
| Area Harvested | 1,133 | 1,133 | | 1,200 | 1,200 | | | 1,561 | |
| Beginning Stocks | 795 | 795 | | 767 | 717 | | | 517 | |
| Production | 1,304 | 1,304 | | 1,350 | 1,350 | | | 2,088 | |
| MY Imports | 3,868 | 3,868 | | 3,800 | 3,800 | | | 3,900 | |
| TY Imports | 3,868 | 3,868 | | 3,800 | 0 | | | 0 | |
| TY Imp. from U.S. | 856 | 856 | | 0 | 0 | 200 | | 0 | 200 |
| Total Supply | 5,967 | 5,967 | | 5,917 | 5,867 | | | 6,505 | |
| MY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| TY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| Feed and Residual | 100 | 500 | | 100 | 550 | | | 950 | |
| FSI Consumption | 5,100 | 4,750 | | 5,100 | 4,800 | | | 4,900 | |
| Total Consumption | 5,200 | 5,250 | | 5,200 | 5,350 | | | 5,850 | |
| Ending Stocks | 767 | 717 | | 717 | 517 | | | 655 | |
| Total Distribution | 5,967 | 5,967 | | 5,917 | 5,867 | | | 6,505 | |
| Yield | 1. | 1. | | 1. | 1. | | | 1. | |

| Barley<br>Iraq | 2008 | | | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
| | Market Year Begin: Jul 2008 | | | Market Year Begin: Jul 2009 | | | Market Year Begin: Jul 2010 | | |
| | USDA Official Data | | New Post Data | USDA Official Data | | New Post Data | USDA Official Data | | Jan Data |
| Area Harvested | 499 | 499 | | 500 | 500 | | | 1,271 | |
| Beginning Stocks | 213 | 213 | | 44 | 44 | | | 44 | |
| Production | 431 | 431 | | 450 | 450 | | | 1,017 | |
| MY Imports | 50 | 50 | | 100 | 35 | | | 35 | |
| TY Imports | 50 | 0 | | 100 | 0 | | | 0 | |
| TY Imp. from U.S. | 0 | 0 | | 0 | 0 | | | 0 | |
| Total Supply | 694 | 694 | | 594 | 529 | | | 1,096 | |
| MY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| TY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| Feed and Residual | 600 | 600 | | 500 | 435 | | | 946 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| FSI Consumption | 50 | 50 | | 50 | 50 | | | 50 | |
| Total Consumption | 650 | 650 | | 550 | 485 | | | 996 | |
| Ending Stocks | 44 | 44 | | 44 | 44 | | | 100 | |
| Total Distribution | 694 | 694 | | 594 | 529 | | | 1,096 | |
| Yield | 1. | 1. | | 1. | 1. | | | 1. | |

| Rice, Milled Iraq | 2008 | | | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
| | Market Year Begin: Jan 2009 | | | Market Year Begin: Jan 2010 | | | Market Year Begin: Jan 2011 | | |
| | USDA Official Data | | New Post | USDA Official Data | | New Post | USDA Official Data | | Jan |
| | | | Data | | | Data | | | Data |
| Area Harvested | 84 | 84 | | 50 | 50 | | | 50 | |
| Beginning Stocks | 138 | 138 | | 130 | 130 | | | 103 | |
| Milled Production | 165 | 165 | | 66 | 73 | | | 80 | |
| Rough Production | 248 | 248 | | 99 | 110 | | | 120 | |
| Milling Rate (.9999) | 6,660 | 6,660 | | 6,660 | 6,660 | | | 0 | |
| MY Imports | 1,000 | 1,000 | | 1,100 | 1,100 | | | 1,150 | |
| TY Imports | 1,000 | 1,000 | | 1,100 | 1,100 | | | 0 | |
| TY Imp. from U.S. | 0 | 0 | 250 | 0 | 0 | 347 | | 0 | 250 |
| Total Supply | 1,303 | 1,303 | | 1,296 | 1,303 | | | 1,333 | |
| MY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| TY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| Consumption and Residual | 1,173 | 1,173 | | 1,191 | 1,200 | | | 1,225 | |
| Ending Stocks | 130 | 130 | | 105 | 103 | | | 108 | |
| Total Distribution | 1,303 | 1,303 | | 1,296 | 1,303 | | | 1,333 | |
| Yield (Rough) | 3. | 3. | | 2. | 2. | | | 0. | |

| Corn Iraq | 2008 | | | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
| | Market Year Begin: Jul 2008 | | | Market Year Begin: Jul 2009 | | | Market Year Begin: Jul 2010 | | |
| | USDA Official Data | | New Post | USDA Official Data | | New Post | USDA Official Data | | Jan |
| | | | Data | | | Data | | | Data |
| Area Harvested | 125 | 125 | 100 | 150 | 75 | | | 75 | |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | | | 0 | |
| Production | 250 | 250 | 200 | 300 | 150 | | | 150 | |
| MY Imports | 25 | 25 | 80 | 25 | 80 | | | 100 | |
| TY Imports | 25 | 25 | | 25 | 0 | | | 0 | |
| TY Imp. from U.S. | 0 | 0 | | 0 | 0 | | | 0 | |
| Total Supply | 275 | 275 | 280 | 325 | 230 | | | 250 | |
| MY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| TY Exports | 0 | 0 | | 0 | 0 | | | 0 | |
| Feed and Residual | 175 | 175 | 185 | 225 | 190 | | | 210 | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| FSI Consumption | 100 | 100 | 95 | 100 | 40 | | | 40 | |
| Total Consumption | 275 | 275 | 280 | 325 | 230 | | | 250 | |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | | | 0 | |
| Total Distribution | 275 | 275 | 200 | 325 | 230 | | | 250 | |
| Yield | 2. | 2. | 2.0 | 2. | 2. | | | 2. | |